

STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE

BULLETIN 87-7  
Issued this 3rd day  
of December, 1987

SUSPENSION OF THE ACCEPTANCE OF CONSOLIDATED OR COMBINED AUDITS EFFECTIVE  
YEAR END 1987.

Minnesota Statutes Section 60A.13, subd. 3a, requires every insurance company doing business in this state to have an annual audit by an independent certified public accountant.

The Department of Commerce, on occasion, has waived the statute pursuant to Minnesota Rules Part 2710.1500 to permit insurers to file financial statements on a consolidated or combined basis in lieu of separate audited financial statements. However, the number of recent insolvencies and the tendencies of some CPA's to treat smaller insurance subsidiaries as immaterial has mandated that this practice not be continued. Every insurance company will be required to submit a separate annual audit report.

This Bulletin is effective January 1, 1988.

CERTIFICATION BY ACTUARY WITH REGARD TO RESERVES REQUIRED AT YEAR END  
1988.

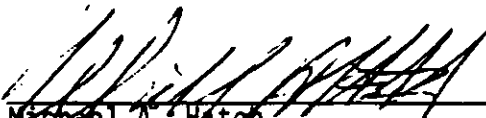
Pursuant to Minnesota Rules Part 2710.1200, balance sheets dated on or after December 31, 1988 submitted as part of the annual audited financial report must include the following certification by an independent actuary:

"the loss reserves and loss expense reserves have been examined and found to be calculated in accordance with generally accepted actuarial principals and practices and are fairly stated."

The above quoted sentence must be accompanied in the signed certification by the independent actuary. An actuary is defined under rule 2700.0600 to be a member of the American Academy of Actuaries or an individual who has demonstrated to the satisfaction of the Commissioner of Commerce that he or she has the education background necessary for the practice of actuarial science and that he or she has not less than seven years of actuarial experience.

Questions with regard to a determination as to a qualified actuary may be submitted in writing to the Chief Examiner:

Mr. James O'Brien  
Department of Commerce  
500 Metro Square Building  
St. Paul, Minnesota 55101  
612-296-2630

  
Michael A. Hatch  
Commissioner of Commerce

## ALL LICENSED COMPANIES

### **RE: ANNUAL AUDITS MSA 60A.13 Subd. 3a and 4a, Minnesota Rules Chapter 2710**

While the Department of Commerce in the past has occasionally waived the statute to permit groups of insurers and holding Companies to file such audit reports on a consolidated basis in lieu of a separate audited financial report, the number of insolvencies and the tendencies of the CPA to treat some smaller insurance subsidiaries as immaterial has mandated that this practice not be continued. All Companies will be required to file audits on an individual Company basis beginning with the June 30, 1989 filing.

### **RE: FILING OF AMENDED OR RESTATED ARTICLES AND BY-LAWS**

On Articles and By-Laws that are filed in their entirety as amended or restated, please note the sections where in any changes were made. A copy of the old wording and the current wording will be appreciated and would expedite the review and acceptance of the filing.

### **RE: QUARTERLY REPORTS, MANAGEMENT CHANGES**

Companies with a N.A.I.C. I.R.I.S. Examiner Team evaluation of Immediate will file quarterly statements and management changes.

Companies currently requested by this department to file such reports will continue to do so until told not to in writing by the undersigned. All other companies unless requested to by this department are exempt from such filings. See MN Statutes § 60A.131 Subd. 1.

Late filings of any kind required will be assessed, where applicable, the necessary fees and penalties as required by law. This includes necessary filings with the Minnesota Department of Revenue. Exemption requests should be made sufficiently in advance so as to be approved in time to avoid penalties.

### **RE: 1987 LEGISLATIVE SESSION FEE CHANGES**

A number of fees relating to Commerce were changed during this session. Below you will find some of the changes listed. Please pay particular attention to those which may affect you.

	<u>OLD FEE</u>	<u>FEE AS OF 7/1/87</u>
-Insurance-		
-Certified copies of Articles of Incorporation	\$50	\$100
-Filing Annual Statement	30	225
-Certified copy of Amendment to Certificate or Articles of Incorporation	50	100
-Filing By-Laws	25	75
-Amendments to By-Laws	10	75
-Company Certificates of Authority	40	575
-For each Certificate, including Certificate of Authority, renewal valuation of life policies, corporate condition or qualifi- cations	5	15

-License to procure insurance in unadmitted foreign companies	40	575
-Photocopying certification of copies	.50	.50
-Certification of copies	2.50	2.50
-Filing Forms and Rates	10	50
-Surplus lines insurer's license (eligible original)	0	500
-Surplus lines insurer's license (eligible renewal)	0	300
-Company License EMBA (Employers)	25	250
-Annual Statement EMBA (Employers)	10	40
-Rating Service Organization License	100	1,000

## SCHEDULE OF FEES

## Agents Licenses

Check or money order must be made payable to the "Minnesota Commerce Department."  
WE CANNOT ACCEPT CASH.

Type of License	New	Renew	Type of License	New	Renew
LIFE/HEALTH	\$20	\$20	TRAVEL/BAGGAGE	\$ 20	\$ 20
PROPERTY/CASUALTY	20	20	TITLE	20	20
VARIABLE ANNUITY	20	20	FARM P & L	20	20
BAIL BONOS	20	20	SURPLUS LINES	150	150
DUPLICATE LICENSE	5	--			

Between April 1 and May 31, renewal fees must be added for the next license year (which begins June 1).

LIFE INSURERS

## PARTICIPATING AND NON-PARTICIPATING EXHIBIT

Must be filed by all licensed stock life insurers having both participating and non-participating life insurance in force. May 1 Annually

This information is required to be presented in the format as used on pages 4, 5 and 6 of the Annual Statement. (Three pages for participating and three pages for non-participating business). Sample sheets enclosed - A, B & C.

PROPERTY AND CASUALTY INSURERS

Re: MSA 60C.06 Premium Surcharge - Recoupment of Assessments

Companies after paying the 1987 M.I.G.A. assessment may reflect that amount as an asset on page 2 of the annual statement. This amount will be reduced through the surcharge collected, billed on written policies, in the succeeding year. Excess collections will be paid into the M.I.G.A. for future allowable credits. Unrefunded balances remaining after the collection period should be removed from the asset recoverable by treating them as a Company expense. There should be no switching between categories.

Companies, in billing this surcharge to their Minnesota policyholders, must reflect this surcharge separately either on the billing or policy declaration sheet sent to the insured.

The surcharge is to be considered as a part of written premium for tax purposes. The surcharge is an excess fee and should not be part of the agents commission calculation. The surcharge should not be included in the premiums written as reflected in Schedule "T" or on Page 14.

Some Companies will be treating it as a separate item and adding it to premiums written on their premium tax returns filed with the Minnesota Department of Revenue.

#### **MULTIPLE PERIL CROP INSURANCE**

**ATTENTION:** Those Companies writing multiple peril crop insurance policies reinsured with Federal Crop Insurance Corporation USDA (FCIC) which may be exempt from Minnesota Insurance Guaranty Association (MIGA) assessments.

The Companies writing the above business should designate by asterisks \* at the bottom of page 14 (State Business) in the annual statement the dollar amount of premiums that would be exempt from assessment.

The total amount of written crop premiums should be included in the body of the Page 14 exhibit, with the exempted premium noted below the exhibit.

Automatic requests will be made of examiners conducting examinations to see that the premium noted is properly exempted reinsured business with the FCIC. Possible Targeted Examinations may be conducted by this Department.

#### **WORKERS' COMPENSATION EXPERIENCE EXHIBIT 1-57**

Must be filed by all companies authorized to write workers' compensation insurance in the State.

The 1-57 consists of Annual Statement page formats of Schedule P - Part ID, part IF Column 10, Part 2D and Part 3D worked up to reflect Minnesota business only on the gross basis and again on the net basis (net of reinsurance). Groups may file combined form. Samples of the Schedules are shown as D.

#### **RE: ACTUARIAL REQUIREMENTS**

Please note the Bulletin enclosed with this mailing.